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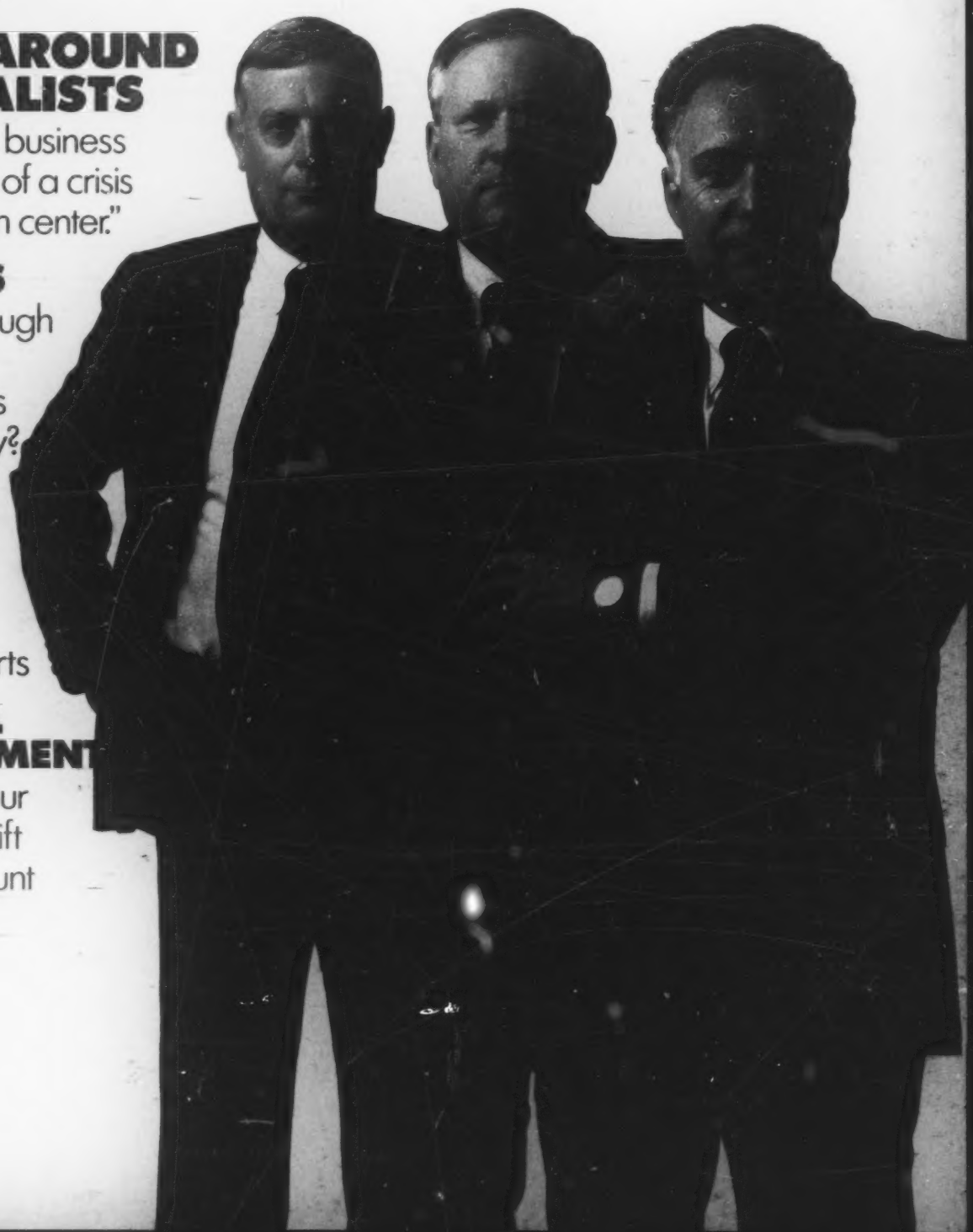
# SALES & MARKETING MANAGEMENT

OCTOBER 1988
A BILL PUBLICATION
THREE DOLLARS



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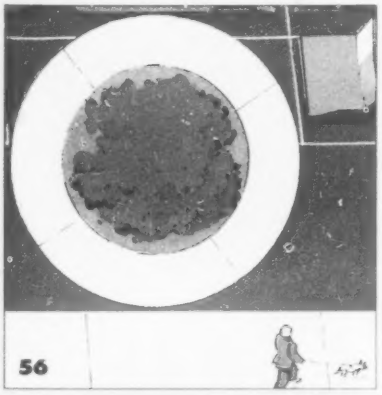
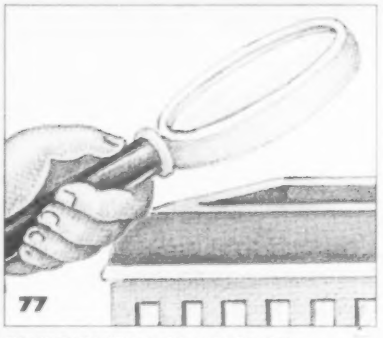
# SALES & MARKETING MANAGEMENT






COVER PHOTOGRAPH BY MARK SELIGER

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# EDITOR'S SIDE POCKET

## TAKING IT ON THE CHIN

"As he described his clients, [his] face broke into the sort of salesman's smile that in another place, with another product, might be considered quintessentially American."

Question: Who is being talked about here, in the good gray pages of the *New York Times?*

Answer: A crack dealer. Notice I didn't say you'll never guess. I know you've been around long enough to expect the worst image of your profession. Still, a crack dealer is one hell of a person to be compared to.

Why does the salesperson persist in being such an easy target for cheap shots? After all, it's not as if the world isn't aware that goods and services have to be moved, and that selling is the moving force. It's not as if people don't realize how many CEOs have come up through sales. It's not that people don't believe that sales *matter.*

Yet there are glimmers of approval, too. Earlier this year in *Fortune* magazine, Walter Kiechel wrote: "Oh salesmen and women, can enough be said in praise of you? You are an elite. To be sure, executives often get paid more and the munchkins who make the product deserve a certain respect. But who sees to it that the foreplay of commerce is finally consummated, with money changing hands? Salespeople." Finally, however, Kiechel must acknowledge that salespeople are unappreciated, even by sales managers who "sometimes lose their sense of the majesty and mystery of it all."

But successful salespeople realize that being unappreciated is a burden they must bear and there's nothing they can do about it, so they just go about their business bringing home the business. Unsuccessful salespeople also feel unappreciated, except that by definition they can't bring home the business, so they do other things, like take self-improvement courses, switch companies, or blame the economy. Now, however, looms a new option: They can change appearances. No kidding. A few days ago, I got a letter from a plastic surgeon who avows "more salespeople than ever before are utilizing plastic surgery to improve their sales." Then, in a chart, he proceeds to outline just what he can do for a salesperson who needs a lift (face, that is) to shore up sagging neck skin, a sure sign of—aghhhhh!—aging. Particularly striking, in the words of the good doctor, are thin lips ("not trustworthy") and weak chin ("not reliable"). Not to worry: For the latter, he recommends "suction under chin and chin implant."

In what other field (show business excepted) would a chin implant be suggested as a route to success? Is the suggestion of plastic surgery just another version of the old wheeze that looks and patter are more important than product?

These questions are brought to mind by the moment—the 70th anniversary of *Sales & Marketing Management*—and next month we'll revisit our first year. Maybe they didn't have chin implants in 1918, but other things seem to have remained the same—at least that's my impression leafing through the first issues. You can decide for yourself after reading next month's article. As for me, I'm sure that 70 years hence the bloke sitting in my chair will be asking these self-same questions.


**SALES & MARKETING MANAGEMENT**

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**SENIOR EDITORS:** Thayer C. Taylor, Computers; Arthur Bragg, Services; Richard Kern, Surveys; Bill Kelley, Industrial; William Keenan, Jr., Management

**COPY EDITOR:** Wendy Svanoe
**ASSOCIATE EDITOR:** Bristol Voss
**ASSISTANT EDITOR: (Surveys):** Melissa Campanelli
**ASSISTANT EDITOR:** Pearl Reid

**BUREAU:** West Coast, Liz Murphy, 818-508-5169

**ART DIRECTOR:** Ken Surabian
**ASSISTANT ART DIRECTOR:** Cynthia Stoddard

**CONTRIBUTING EDITORS:** Cooperative Advertising, Ed Crimmins; Market Analysis, Edward J. Spar; Meetings, Homer Smith; Sales Force Management, Jack Falvey; Travelers' Network, Gerald A. Michaelson

**PUBLISHER:** Joseph M. Migliore
**ASSOCIATE PUBLISHER:** A.J. Vogl

**PRODUCTION MANAGER:** Lynn Peretz
**ADVERTISING PRODUCTION MANAGER:** Fern E. Greenberg
**MARKETING/SALES DEVELOPMENT MANAGER:** Marilyn Rosen
**BUSINESS MANAGER:** Joseph J. Furey

**ADVERTISING:** 212-986-4800, x2254
**SUBSCRIPTIONS:** 215-630-1549
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**PERMISSIONS; ARTICLE SEARCH:** 212-984-2241
**BACK ISSUES:** 212-973-4911

VOL. 140, NO. 13 *Sales & Marketing Management* ISSN 0163-7517 is published monthly except in February, April, August, and November, when it is published twice a month, by Bill Communications, Inc., 633 Third Avenue, New York, NY 10017. Telephone: 212-986-4800.


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Subscriptions in the U.S. and its possessions, $38. Canada, $52 (U.S.). Foreign, $67 (U.S.). Allow 4 to 6 weeks for first issue to arrive. Second-class postage paid at New York, NY, and at additional offices. Postmaster: Send address corrections to *Sales & Marketing Management*, Subscription Service Department, P.O. Box 1025, South Eastern, PA 19398-9975. Member of the Audit Bureau of Circulations, Association of Business Publishers, and Magazine Publishers Assn.


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COMPENSATION

## THE COST OF PUTTING A PERSON IN THE FIELD

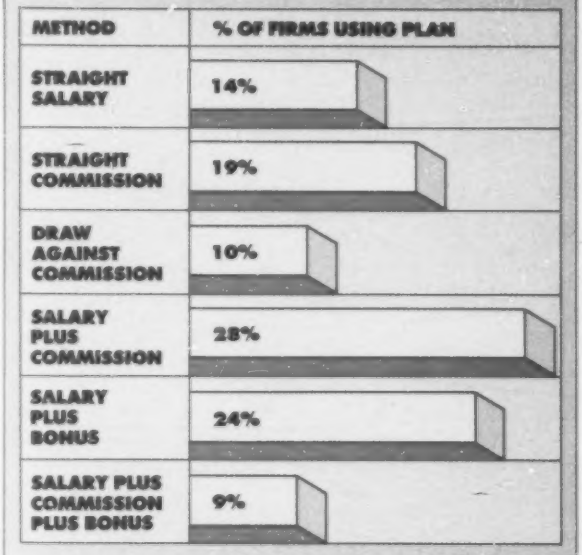
The typical field salesperson earned a median of $41,000 last year—$24,641 in base salary and $16,359 in incentive pay. The median size of a field sales force was six, and cost-per-call figures ranged from a median high of $170 for companies in the transportation, communication, and utilities industries to a median low of $58 for financial services companies. The overall median cost of a sales call was $110.

These were among the key findings of an exclusive survey conducted by the National Institute of Business Management (NIBM), which recently tabulated 747 responses from small- and medium-sized companies concerning their sales compensation practices. (The results were published in their *1988 Sales Compensation Survey.*)

Other highlights from the survey include data on various types of employee perks, which show 45% of companies supplying their salespeople with telephone credit cards; 38% offering company cars; 33% using corporate credit cards; and 23% enrolled in frequent-flyer programs. Lesser-used perks include personal computers for home use (6%), health club memberships (4%), and country club memberships (3%). The median cost per salesperson for these and other perks was calculated to be $6,000 a year.

Copies of the NIBM survey can be obtained by writing to the National Institute of Business Management, 1328 Broadway, New York, N.Y. 10001.

### Methods of Compensation for Field Sales Employees




SOURCE: National Institute of Business Management; *1988 Sales Compensation Survey.*

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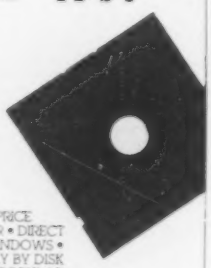

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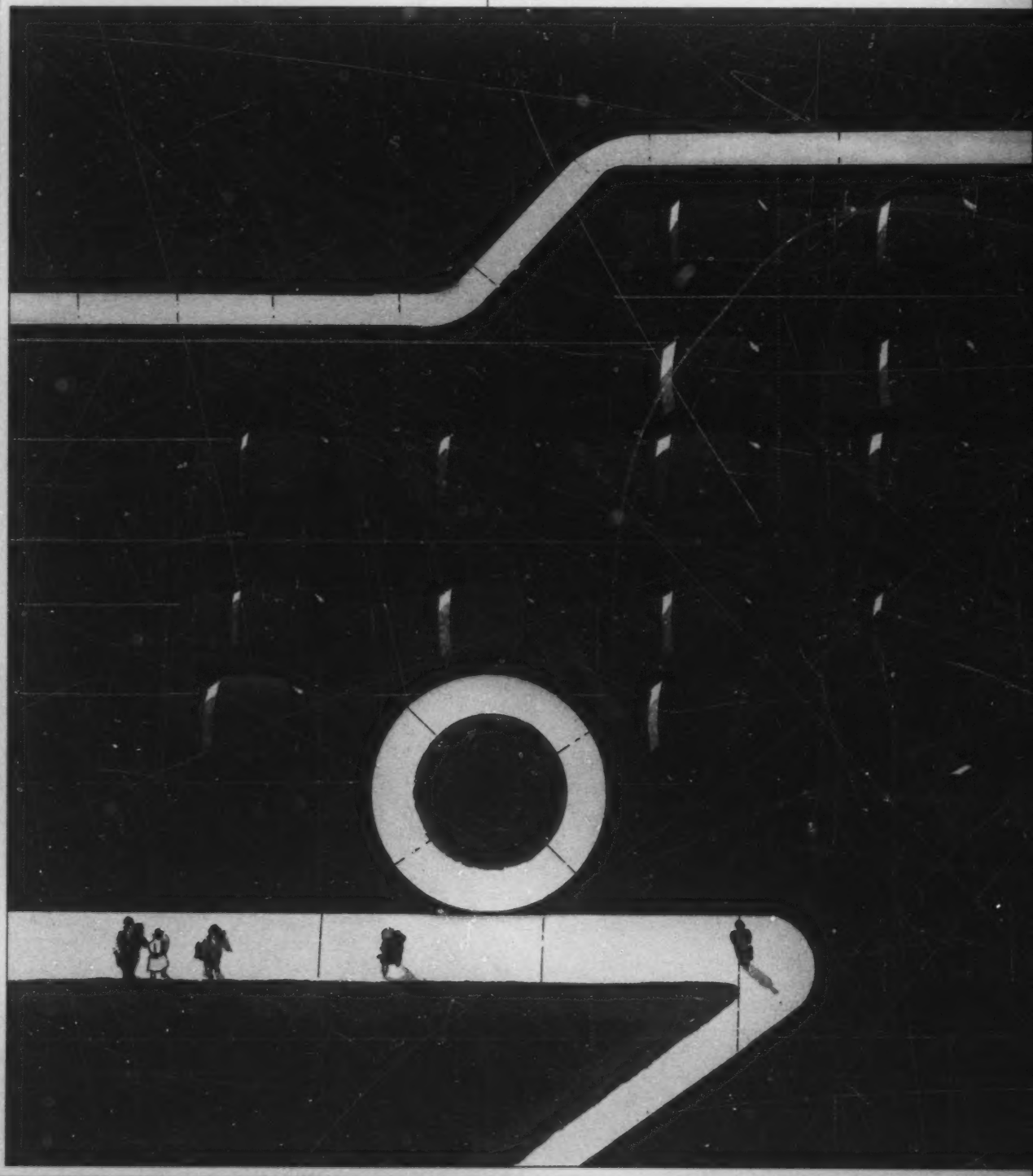
# THE IMPORT ALTERNATIVE

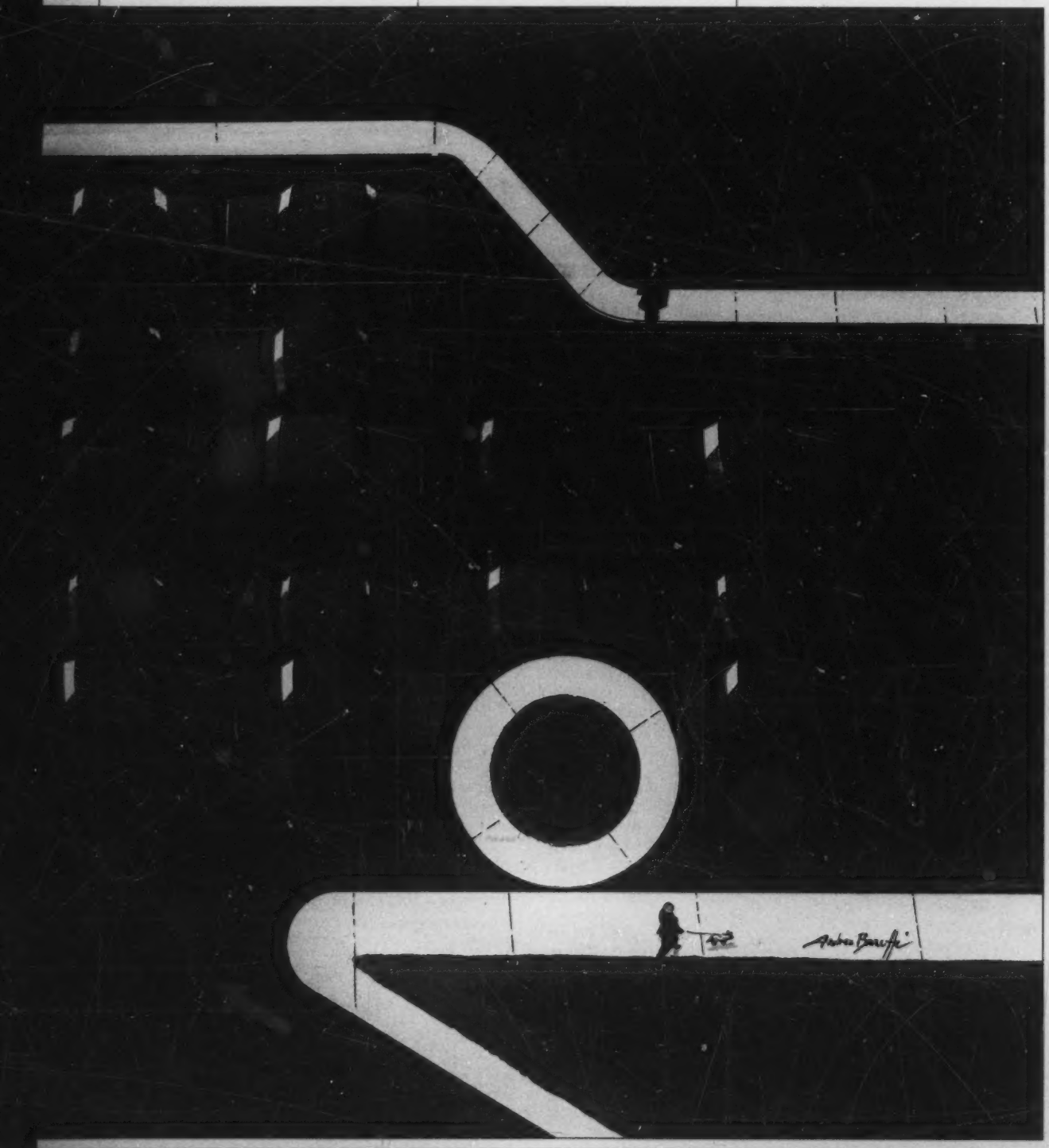
Imported cars are making their way into the fleets of some top U.S. companies. Should they be in yours?



BY BILL KELLEY, SENIOR EDITOR

Ike Campbell is an all-American kind of guy. He works for Hardee's, an all-American fast food restaurant that proudly serves nothing but 100% American beef hamburgers. So last year when it came to time to replace some of the company's fleet cars, he naturally selected the Toyota Camry. "We really, really want to buy American," says the fleet administrator. "But on paper we have a $1,000 saving per car versus the domestics over the term of the lease."

Campbell and others like him represent a small but growing number of executives who are choosing imported cars for their fleets. Why? Well, for some of the same reasons retail buyers have been snapping them up for years. In many cases they are cheaper, more



reliable, and have a higher resale value than their domestic counterparts. "We haven't seen anywhere near the number of imports penetrate the market that we will in the future," predicts Phillip Lazar of Runzheimer International, which recently surveyed 271 fleet executives about imports (see boxes). "They are certain to have a greater impact."

According to the Runzheimer survey, imports are already making inroads into the fleet market. In 1982, vehicles with foreign nameplates accounted for only 2% of the cars and trucks in the respondents' fleets. This year, they make up 7%. In addition, import manufacturers are pursuing the fleet market more aggressively. Don Esmond, corporate fleet manager for Toyota Motor Sales U.S.A., whose fleet sales have doubled since 1982 to 16% of total sales last year, feels that Toyota will eventually have the same success selling to corporate clients that it has had in the retail market. "We want to be players in all markets," he says. "And that certainly includes fleets." Adds James Watson, national fleet sales manager for Nissan: "I see the fleet market growing tremendously for us."

## Who's Buying?

Following are some U.S. companies who have purchased imports for their fleet:

- Anchor's Away (Nissan)
- Bristol-Myers (Toyota)
- Domino's Pizza (Nissan)
- Elco (Volkswagen)
- Firemen's Fund Insurance (Volkswagen)
- Hardee's (Toyota)
- Medcheck (Volkswagen)
- National Health Labs (Nissan & Toyota)
- Revlon (Volkswagen)
- Rohr Group (Toyota)

## Which Is Best

Following are the ratings respondents gave to imports vs. domestics (Scale: 1 = better, 2 = equal, 3 = worse):

| Better Than Domestics | Rating |
|---|---|
| Driver satisfaction | 1.7 |
| Value | 1.7 |
| Reliability | 1.7 |
| Residual value | 1.8 |
| **Worse Than Domestics** | |
| Company image | 2.6 |
| Serviceability | 2.2 |

SOURCE: Runzheimer Reports on Transportation.

### BUY AMERICAN

Despite the gains imports have made, the fleet market is still dominated by domestic cars—a fact that is unlikely to change overnight. Because of the weak dollar, many U.S. cars now have a price advantage, and domestic manufacturers offer larger cars and more models. "It's still Detroit's market," says Phillip Russo of the National Association of Fleet Administrators. "Imports are just beginning to crop up in fleets."

But perhaps the most consistent advantage domestic cars have had over imports is their nameplate. Just a few years ago "buy American" was a way of life at many companies, and imports had trouble entering the market. "It was tough," says Toyota's Esmond of the company's early foray into the fleet market. "Quite frankly, we were getting thrown out of a lot of places."

That attitude has changed at many companies, however. The Runzheimer survey shows that only 22% of the respondents say their companies have a formal policy against buying imports—a fact that doesn't surprise some import salespeople. Says Lodge Weber, a fleet field sales manager for Nissan in Memphis, Tenn.: "The flag waving sentiment is gone for the most part. I seldom see it anymore."

Others are not so certain that the changes are widespread. Bob Carter, a fleet salesman for Toyota in Chicago, says he doesn't run up against the "buy American" attitude as frequently as he did in the past, but it still exists. "Over the last couple of years it's been dying out," he says. "But I don't want to mislead you. I've been in situations where we've run the tests, done the figures, and really sold the guy. Then he goes to top management and it dies. They are just not going to buy an import."

While importers may downplay the significance of their cars' origins, those responsible for choosing fleet vehicles often can't. For this article, for example, all but a few requested anonymity when discussing purchasing imports for their fleets. "It's just something we don't want to publicize," says an executive for a medical supply company that recently added Toyota Camrys to its fleet.

And it seems to be a particularly sensitive issue when it comes to sales. One fleet executive says his company's sales force has domestic cars, while the rest of the fleet consists of Volkswagen Golfs and Toyota Corollas. "The imports are strictly for delivery and distribution," he says.

Ike Campbell of Hardee's, who added 130 Camrys to the company's 540 vehicle fleet, explains the dilemma many corporations face when using imports: "We cater to people in the United States of America. That's who comes into our restaurants. And I'm sure that there are some people here [at Hardee's] who don't think it looks good. But some of our district managers want them because they've had such good luck with them."

## It's harder to distinguish what is and what isn't an American-made automobile.

Regardless of the imports' success in the fleet market, however, few believe the cars will reach the level of acceptance they have in the retail market. Skeet Chadwick, a senior vice president at PHH Fleet America, Hunt Valley, Md., a fleet management and leasing company, says domestics will continue to have an advantage over foreign vehicles. "There will always be companies that will not consider imports strictly because they are imports."

### THE MELTING POT

To some degree, imports can thank their recent success in the fleet market to "captive imports"—cars made outside this country but marketed by U.S. companies. While the practice is not new, it has become more popular. For example, of the following cars—Pontiac LeMans, Dodge Colt, Mercury Tracer, and Honda Accord—only the Accord is made in the U.S. (The others are made in Korea, Japan, and Mexico, respectively.)

# Chevrolet vs. Toyota

Runzheimer recently compared the annual costs of a 1988 Chevrolet Nova 4-door hatchback and a 1988 Toyota Corolla Deluxe 4-door. Operating expenses (fuel, maintenance, etc.) and ownership expenses (licensing, depreciation, financing, etc.) were compared, and a cost analysis was done based on retaining the cars for a three-year/60,000 mile cycle. Both cars have automatic transmission, power steering, power brakes, air conditioning, AM/FM stereo radios, and other popular options. The Nova was produced by NUMMI, the joint venture between Chevrolet and Toyota, and is a virtual clone of the 1984-87 Corolla. The Corolla was redesigned this year. Runzheimer cautions that cost may vary significantly in different regions and that the figures, which are averages, be used only as a guide.

| | COROLLA | NOVA |
|---|---|---|
| PRICE | $10,265 | $10,453 |
| Horsepower | 90 | 72 |
| Length | 170.3 in. | 166.3 in. |
| Width | 65.2 In. | 64.4 in. |
| Wheelbase | 95.7 in. | 95.7 in. |
| Displacement/ Cyl. | 1.61/4 cyl. | 1.61/4 cyl. |
| Operating Costs | $1,280 | $1,210 |
| Ownership Costs | $3,378 | $3,803 |
| **Total** | **$4,658** | **$5,013** |

Because of a higher purchase price and higher insurance expenses and taxes, the Nova would cost, on average, $355 more a year to own and operate.

SOURCE: Runzheimer Reports on Transportation

# What They Bought

Following are the nameplates respondents to the Runzheimer survey added to their fleets in 1988:

| Domestics | |
|---|---|
| 1. Chevrolet | 90% |
| 2. Ford | 74% |
| 3. Dodge | 52% |
| 4. Oldsmobile | 39% |
| 5. Buick | 38% |
| 6. Pontiac | 37% |
| 7. GMC | 31% |
| 8. Plymouth | 30% |
| 9. Lincoln/Mercury | 28% |
| 10. Chrysler | 20% |
| 11. AMC/JEEP/Eagle | 12% |
| 12. Cadillac | 10% |

| Captive Imports* | |
|---|---|
| 1. Sprint | 2% |
| 2. Colt | 2% |
| 3. Merkur | 1% |
| 4. Festiva | 1% |
| 5. LeMans | 1% |
| 6. Spectrum | 1% |

| Imports | |
|---|---|
| 1. Toyota | 6% |
| 2. Nissan | 3% |
| 3. Honda | 2% |
| 4. Mercedes-Benz | 2% |
| 5. Volvo | 2% |
| 6. Subaru | 1% |
| 7. Volkswagen | 1% |

*Foreign-made cars sold under domestic nameplates.

In addition, American companies have increased their use of foreign-made parts; importers have started opening plants in the U.S.; and there have been joint ventures between foreign and domestic carmakers, such as Chevrolet and Toyota's NUMMI (New United Motor Manufacturing Incorporated) project. All this has made it harder to distinguish what is and what isn't an American-made automobile. Says Chuck Petrusch, fleet manager at Volkswagen United States: "As far as I know, there is no such thing as a 100% American car."

The confusion between what's American and what's not has made it easier for some executives to buy imports. For example, a sales manager for a midwestern pharmaceutical office says his salespeople seldom hear remarks about the imports they drive. But when they do, he says, they have a standard answer. "They tell them they are made here, and the other fellow usually says, 'Oh,' and that's it."

In fact, Hardee's Campbell says it would be virtually impossible for him to use Toyotas in his fleet if the company didn't have manufacturing facilities in the U.S. "I told them, 'If you are not going to be making cars here, we've got a problem. I'm not going to be able to do business with you.' "

The changing image of imports has also made them more desirable for fleets. Once thought of as small, barebones economy cars, newer models are now considered luxurious enough for sales fleets. Says Nissan's Watson: "What you're often selling in the fleet market is image." PHH Fleet America's Chadwick also says the novelty of imports makes them attractive to some users. "A person who has driven the same car for two or three [fleet] cycles may pick an import just because it's something different to park in his driveway. It may be a few years down the road to see how well they are accepted."

### MAKING A CHOICE

Still, for many, deciding between a domestic and import car will be difficult. In certain cases, an import may be a better value, but a sales manager will have to ask himself if there is a risk in having his salespeople seen in anything but a domestic car.

Regardless of the decision, experts such as Runzheimer suggest proceeding slowly. Perform the normal cost analysis and then let the salespeople decide if they want to try an import. Only then can companies be sure of the effects of imports on their business. □

# Is It Really the Thought That Counts?

## Purpose, Not Price, Seems To Be the Major Determinant in Executive Gift Giving.

GIFT WRAP PHOTOGRAPHY BY WALTER WICK

Is it really better to give than to receive?

It must be. In a recent survey conducted by Edward S. Hoffman and Assoc. for this magazine, nearly 87% of sales and marketing executives polled work for companies or divisions of companies that practice regular gift giving. However, only about 66% of executives polled said they receive business gifts. Who said life was fair?

The lack of quid pro quo has not diminished executives' involvement in the gift-giving process: Of the 444 respondents, nearly 70% take personal responsibility for the selection and giving of gifts, and spend, on average, $7,500 a year for those gifts. Industry sources predict that totals for business gift giving nationwide will increase 3% to over $1.6 billion this year, down from a 7% increase last year. ▶

## How Much Is Spent

| PRICE RANGE | % OF RESPONDENTS |
|---|---|
| Under $10 | 37% |
| $10-$24 | 52 |
| $25-$49 | 54 |
| $50-$74 | 19 |
| $75-$99 | 13 |
| $100-$200 | 16 |
| Over $200 | 10 |

Base: 444 responses. Percentages exceed 100 due to rounding and multiple answers.

## Approximate Size of Gift Lists

| CUSTOMERS | % OF RESPONDENTS |
|---|---|
| 1-9 people | 5% |
| 10-24 | 18 |
| 25-49 | 16 |
| 50-74 | 13 |
| 75-99 | 2 |
| 100-499 | 32 |
| 500-1,000 | 7 |
| Over 1,000 | 4 |

Base: 385 responses.

| EMPLOYEES | % OF RESPONDENTS |
|---|---|
| 1-9 people | 17% |
| 10-24 | 28 |
| 25-49 | 11 |
| 50-74 | 12 |
| 75-99 | .4 |
| 100-499 | 21 |
| 500-1,000 | 2 |
| Over 1,000 | 1 |

Base: 273 responses.

Percentages do not add up to 100% due to some N/A responses.

Most gifts are given for personal use (78%), followed by gifts for the office (59%), and home and family gifts (45%). Traditional fare dominates: Calendars, pen and pencil sets, clothing, liquor, and food remain popular, while appliances and electronics frequently appear on pricey gift agendas.

A tradition that seems to have fallen by the wayside, however, is personalizing gifts with the recipient's name or monogram. Only 26% of the respondents give personalized gifts; in contrast, nearly three times as many give gifts imprinted with company logos or slogans.

Christmas is the time most business gifts are given (65%), but just under half those polled give year-round. Birthdays and anniversaries are among the most popular occasions, and nearly two-thirds of the executives polled hand out retirement gifts.

Don't forget to factor Uncle Sam into your gift-giving plans: The limit on tax-deductible gifts is $25 per recipient, excluding company promotional items. (Items imprinted with company logos may sometimes be exempt from the $25 limit.) State tax rules may also apply, so check with your local IRS corporate gifts department before making final gift-giving decisions.

CAM software. A turnkey system offering both hardware and software, ONE PLUS comprises two solutions: ONEsales Sales Support System, which provides modules for client and prospect management, mass mailings, telemarketing, reporting, and a top-five tickler; and ONEbase Department Information Base, which lets marketing departments consolidate information from multiple sources.

KLS Inc.'s SNAP, a territory management program, is cited as a middle-market system. PC-based, the menu-driven software includes options for client/prospect information, mailings, telemarketing, word processing, reporting, and special functions such as moving data and creating data files.

Follow-Up, by XYCAD Group, a PC-based generic client tracking system, is cited as a typical low-end program; yet the software has been used by companies with more than 400 salespeople. According to president William Zimmerman, "The purpose of automation is to make salespeople more informed and therefore seem more interested in their clients. We're just taking a card system that sales has been using and automating it—the system has been working forever."

## EDI: AN OPTION OR A NECESSITY?

What was once a competitive advantage—electronic data interchange (EDI), or computer-to-computer transactions—is becoming a competitive necessity for marketers. So said Howard Anderson, managing director of the Yankee Group, the Boston research firm specializing in communications and computers, at their recent annual EDI Summit Conference in New York City. Anderson estimates more than 3,200 companies employ EDI and that half of these companies became new users just last year.

The 3,200 are expected to multiply as costs tumble almost 50% between 1988 and 1993 and awareness of benefits spreads. Yankee Group projections see the price of PC-based EDI software plummeting approximately 50% to $1,700, and transaction fees declining correspondingly to 77¢.

Conceding that EDI benefits to date "are intuitively apparent but difficult to quantify," Anderson says they include: (1) reduced paperwork, inventory costs, and data entry errors; (2) elimination of mail delays; (3) easier order changes; and (4) faster payments and identification of "slow movers."

Anderson was seconded by speakers from Xerox and Eastman Kodak. Xerox uses EDI as "an electronic administrative service to make it easier for customers to do business with us," said Charles E. Walters, manager of customer projects/Xcel. Among the services: an electronic order network for PO (purchase order) transactions

EDI Market Growth in U.S.

| | 1988 (Mil. $) | 1993 (Mil. $) | Avg. Annual Growth Rate |
|---|---|---|---|
| Software | $ 50 | $ 85 | 14% |
| Network services | 70 | 830 | 217 |
| Total | $120 | $915 | 132% |

SOURCE: Yankee Group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and RFQs (requests for quotation), enabling major customers to enter Xerox invoices directly into their accounts payable systems, thus avoiding rekeying data and allowing customers to make payments electronically.

Noting that Kodak launched its electronic purchase order system in 1983, EDI program manager Wilfred D. Oliver said the company experienced "significant benefits. The quality of two-way communications has improved." Among 50 major suppliers participating in Kodak's EDI program, he added, 20% of POs are placed electronically. Kodak will add more trading partners and expand EDI to cover more documents and transactions beyond the purchasing area, Oliver said.

Still, some knotty issues crimp EDI implementation rates, warned James R. Oravec, associate director of Automotive Industry Action Group, Southfield, Mich. Among those he mentioned: "Lack of top-down commitment by management; integration of data, text, and graphics into EDI; and insufficient understanding of EDI benefits, uses, and techniques."

Proliferation of standards spawned by EDI is another hurdle, cautioned Audrey L. Mandella, Yankee Group's director of European research. Claiming "there are too many standards to keep track of," she stressed that this issue will become more vexing "as markets become more global and the incompatibility between U.S. and European standards becomes more troublesome." Mandella emphasized that adoption of international standards will be necessary as "Europe 1992"—the reduction of trade barriers to promote Europe as one market—takes effect. □

## Move into the Fast Lane

**Howard Anderson, managing director, Yankee Group.**

Yankee Group's Howard Anderson paints this scenario of how an EDI information system accelerates the marketing tempo within a two-hour period at a manufacturing company:

**10:10** Sales forecasting module of an EDI program indicates that 43% of EDI orders are for models 21 and 22, much higher than anticipated.

**10:15** Factory automation program adjusts its production schedules to accommodate shift in demand and meet increased orders for both models.

**10:25** Key suppliers of models 21 and 22 components told via EDI to accelerate deliveries of needed parts and increase future production.

**10:30** EDI and electronic mail system combined to alert major customers of potential out-of-stock position of both models and advise them announcement will be made on business television at 11:00.

**10:45** Electronic mail alerts sales force of change in sales strategy: They stop writing orders for models 21 and 22 due to potential shortages and push model 25 as an alternative; prices on models 21 and 22 to be raised.

**10:50** Prices raised on both models.

**10:55** Broadcast price change via E-mail to sales force and customer base.

**11:00** Sales VP uses business television to bring key customers up-to-date on implications of shortages and says reserve stock will be set aside per agreed-upon economic order quantity (EOQ) levels. He also asks for immediate confirmation via EDI and suggests model 25 as a substitute.

**11:15** Business television used to bring key suppliers up-to-date.

**11:45** Send CAD (computer-aided design) drawings of model 25 to key customers via an advanced form of E-mail that handles graphics, along with change diagrams that illustrate necessary retrofitting.

**12:00** Place parts orders via EDI for increased model 25 components; multiple sources of standard parts asked for best price and delivery schedule.